

SUMMARY

The Navajo Nation Office of the Auditor General conducted a follow-up review of the Smith Lake Chapter corrective action plan (CAP) implementation in accordance with 12 Navajo Nation Code (N.N.C.) Section 7(G). The follow-up review was conducted to determine whether Smith Lake Chapter (Chapter) implemented its CAP to resolve the findings presented in audit report no. 10-15 that was issued June 30, 2010. The CAP was approved by the Budget and Finance Committee per resolution number BFS-36-10 on September 10, 2010. Corrective actions are to be implemented within a year or 12 months.

The follow-up review found:

Finding I: The Chapter lacks adequate internal controls over expenditures and accounting records. The initial audit found the Chapter lacks controls over the disbursements of funds that led to questionable expenditures. In addition, the Chapter is not maintaining proper accounting of transactions and financial statements are inaccurate.

Status: Finding not resolved

Finding II: The Chapter is not in compliance with laws, rules, policies and procedures. The initial audit found Chapter staff and officials received unauthorized additional compensation of approximately \$96,000. In addition, the Chapter does not comply with: IRS regulations, Navajo Sales Tax Act, LGA, Emergency Fund, PEP and SYEP policies and procedures.

Status: Finding not resolved

Conclusion

The Chapter had two major findings consisting of 12 sub-findings to resolve by fully implementing corrective actions. Our follow-up review found corrective actions to strengthen internal controls have not been implemented. Consequently, control weaknesses continue to exist resulting in questionable expenditures and noncompliance with rules, policies, and funding guidelines.

Corrective actions not fully implemented reveal the Smith Lake Chapter has not made improvements to ensure proper accountability of Chapter assets and resources. In conclusion, the Office of the Auditor General recommends that sanctions be imposed on the Smith Lake Chapter and officials in accordance with 12 N.N.C., sections 9(B) and 9(C) for failure to fully implement the corrective action plan.